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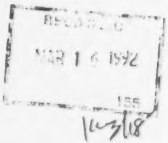

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter ended January 31, 1992 Commission file number 2-65101

WALNUT EQUIPMENT LEASING CO., INC.

(Exact name of registrant as specified in its charter)

DELAWARE	23-1712443
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Suite 2128, 101 W. City Avenue, Bala Cynwyd, Pennsylvania 19004
(Address of Principal executive offices) (Zip Code)

(215) 668-0700
(800) 866-0809
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No....

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date: $1.00 par value common stock - 1,000 shares.

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WALNUT EQUIPMENT LEASING CO., INC.

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WALNUT EQUIPMENT LEASING CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	January 31, 1992 (unaudited)	April 30, 1991
ASSETS		
Direct finance Leases:		
Aggregate future amounts receivable under Lease contracts	$ 19,767,362	$ 16,297,123
Estimated residual value of equipment	1,942,127	1,699,909
Less:		
Unearned income under Lease contracts	(4,113,639)	(3,242,758)
Advance payments	(592,798)	(554,265)
	17,003,052	14,200,009
Allowance for doubtful Lease receivables	(1,614,363)	(1,634,618)
	15,388,689	12,565,391
Operating Leases:		
Equipment at cost, Less accumulated depreciation of $167,786 and $166,285, respectively	6,309	6,339
Accounts receivable, Less allowances for doubtful accounts of $0 and $4,767, respectively	19,697	11,006
Cash	437,397	1,312,378
Other assets (Includes $666,875 paid to or receivable from related parties at April 30, 1991.)	1,080,897	996,542
Total assets	$ 16,932,989	$ 14,891,656
LIABILITIES		
Amounts payable to equipment suppliers	$ 739,354	$ 518,368
Other accounts payable and accrued expenses	284,448	212,456
Demand, Fixed Rate and Money Market Thrift Certificates (Includes $132,761 at April 30, 1991 payable to related parties)	11,209,010	8,777,787
Senior Thrift Certificates (Includes $249,725 at April 30, 1991 payable to related parties)	11,115,718	9,631,291
Subordinated Thrift Certificates (Includes $465,052 at April 30, 1991 payable to related parties)	6,516,684	7,046,487
Accrued interest	3,065,918	2,625,222
Subordinated debentures (Includes $4,000 at April 30, 1991 payable to related parties)	7,718	11,500
State income taxes payable	15,891	17,492
	32,954,541	28,840,603
SHAREHOLDERS' DEFICIT		
Prime Rate Cumulative Preferred Shares, $1 par value, $100 per share liquidation preference, 50,000 shares authorized, 281 shares, issued and outstanding (liquidation preference $28,100)	3,176	5,283
Adjustable Rate Cumulative Preferred Shares, $1 par value, $1000 per share liquidation preference. 1,000 shares authorized, 275 shares issued and outstanding (liquidation preference $275,000)	275	275
Common stock, $1.00 par value, 1,000 shares authorized, issued and outstanding	101,500	101,500
Accumulated Deficit	(16,126,503)	(14,056,005)
	(16,021,552)	(13,948,947)
Total Liabilities and shareholders' deficit	$16,932,989	$14,891,656

See accompanying notes

WALNUT EQUIPMENT LEASING CO., INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended January 31,		For The Three Months Ended January 31	
	1992 (unaudited)	1991 (unaudited)	1992 (unaudited)	1991 (unaudited)
Revenue:				
Income earned under direct finance lease contracts	$2,676,693	$2,128,386	$954,924	$751,127
Operating lease rentals	3,304	(1,860)	2,111	(758)
Total revenue	2,679,997	2,126,526	957,035	750,369
Costs and expenses:				
Interest	2,380,731	2,052,187	822,376	705,260
Lease origination expenses	696,115	714,267	252,806	242,045
General and administrative expenses	1,359,234	1,249,156	477,160	448,586
Provision for doubtful lease receivables	307,300	296,980	107,551	104,902
Depreciation of operating lease equipment	1,030	1,035	330	300
Total costs and expenses	4,744,410	4,313,625	1,660,223	1,501,093
Loss from operations (before provision for income tax expense)	$(2,064,413)	$(2,187,099)	$(703,188)	$(750,724)
Provision for income tax expense	6,085	3,687	2,368	739
Net Loss	$(2,070,498)	$(2,190,786)	$(705,556)	$(751,463)

SEE ACCOMPANYING NOTES

Senior Thrift Certificates	(1,813,208)	(2,523,785)
Subordinated Debentures	(3,782)	---
Distributions Paid:		
Prime Rate Cumulative Preferred Shares	(2,107)	(9,413)
Adjustable Rate Cumulative Preferred Shares	-0-	(22,044)
Net Cash Provided By Financing Activities	3,379,758	1,388,146
Increase (decrease) in cash	(874,981)	(1,263,522)
Cash, Beginning of Year	1,312,378	1,986,731
Cash, End of Year	$ 437,397	$ 723,209

SEE ACCOMPANYING NOTES

WALNUT EQUIPMENT LEASING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

	Prime Rate Cumulative Preferred Shares No. of Shares		Adjustable Rate Cumulative Preferred Share No. of Shares		Total Common Stock	Accumulated Deficit	Shareholders' Deficit
	Issued	Amount	Issued	Amount			
Balance, April 30, 1991	281	$ 5,283	275	$ 275	$101,500	$(14,056,005)	$ (13,948,947)
Net Loss, for the nine month period ended January 31, 1992 (unaudited)	---	---	---	---	---	(2,070,498)	(2,070,498)
Cash distributions paid on Prime Rate Cumulative Preferred Shares (unaudited)	---	(2,107)	---	---	---	---	(2,107)
Balance, October 31, 1991 (unaudited)	281	$ 3,176	275	$ 275	$101,500	$(16,126,503)	$(16,021,552)

SEE ACCOMPANYING NOTES

1. FINANCIAL STATEMENT PRESENTATION

The unaudited interim financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction wth the audited financial statements and notes thereto for the year ended April 30, 1991. The accompanying interim financial statements have not been audited by independent certified public accountants, but in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the results of operations, and are not necessarily indicative of the results to be expected for the full year.

2. ACCOUNTING POLICIES

Method of Consolidation

The unaudited interim consolidated financial statements of Walnut Equipment Leasing Co., Inc. for the nine month periods ended January 31, 1992 and 1991, respectively, include the operating results of its wholly-owned subsidiary, Equipment Leasing Corporation of America ("ELCOA"). All intercompany items have been eliminated for purposes of preparing the consolidated financial statements contained herein.

Accounting for Leases

The Company's lease contracts provide for total noncancellable rentals which exceed the cost of the leased equipment plus anticipated financing charges and, accordingly, are accounted for as financing leases. At the inception of each new lease, the Company records the gross lease receivable, the estimated residual value of the leased equipment, and the unearned lease income. The unearned lease income represents the excess of the gross lease receivable plus the estimated residual value over the cost of the equipment leased. For leases originated prior to May 1, 1988, a portion of the unearned lease income equivalent to the initial direct costs incurred, plus a provision for uncollectible accounts, were recognized as income on the lease commencement date. The remainder of the unearned income was recognized as income using the sum-of-the-months' digits method. For leases originated after April 30, 1988, the Company has changed its method of accounting to conform with the requirements of FAS No. 91 "Accounting for Non Refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Cost of Leases". Under this method initial direct costs as defined by FAS No. 91 ($68,851 and $107,126 for the nine months ended January 31, 1992 and 1991, respectively) were accounted for as part of the Investment in Direct Financing leases.

Unearned income is earned and initial direct costs are amortized to direct finance lease income using the interest (or "effective") method over the term of the lease.

An allowance for doubtful direct finance lease receivables has been maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of delinquent receivables. The allowance is increased by provisions charged to operating expense and reduced by charge-offs. Prior to May 1, 1988, the Company transfered an amount equal to such provision from unearned income to revenue at the inception of each lease. The level of the allowance has been based upon historical experience of collections and management's evaluation of estimated losses as well as prevailing and anticipated economic conditions. Management evaluated the resulting allowance at least annually in conjunction with the examination of the Company's books of record. After considering historical experience and prevailing and anticipated economic conditions, additions to the allowance as a result of this evaluation were charged to operations without a corresponding transfer from unearned income at year end. Beginning May 1, 1988, the allowance has been increased by provisions charged to operating expense based upon a periodic evaluation, performed at least quarterly, of delinquent finance lease receivables. Pursuant to FAS 91, reserves are established to reflect losses anticipated from delinquencies and impairments that have already occurred rather than ultimate losses expected over the life of the lease portfolio. Total write-offs charged against this reserve for the nine months ended January 31, 1992 and 1991 were $327,555 and $204,522, respectively.

Income Tax Expense

Both the Company and ELCOA will be included in a consolidated federal income tax return. However, the Company and ELCOA will not file a consolidated income tax return for state income tax purposes. Each Company will be subject to state income taxation on each Company's separate income as computed for state tax purposes. During the nine months ended January 31, 1992 and 1991, ELCOA recognized provisions for state income taxes in the amounts of $6,085 and $3,687 respectively, on its separate income. No provision for federal income taxes was necessary.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Operations

Comparision of Nine Months Ended January 31, 1992 and 1991

Revenues

Total revenues from direct finance leases for the nine months ended January 31, 1992 increased 25.8% or $548,307 as compared to the nine months ended January 31, 1991. Aggregate new lease receivables entered increased to $9,736,005 for the nine months ended January 31, 1992 from $6,478,095 for the nine months ended January 31, 1991. Management attributes this increase to increased advertising of its leasing services in trade association publications, and an increase in new vendor contacts and referrals through use of telemarketing, and commencement of increased interractions with equipment manufactures and their distribution networks utilizing the Company's advertising facilities. The Company is continuing its efforts in contacting vendors of small-ticket equipment, some of whom are discovering fewer lessors willing to accept small ticket items under 5,000. Unearned income during the nine months ended January 31, 1992 increased by $870,881 in comparison to an increase of $175,045 for the nine months ended January 31, 1991. The recognition of direct finance lease income reflects the composite aging of the underlying leases in the portfolio, as well as application of FAS No. 91, to outstanding leases after May 1, 1988 which affects leases originated after April 30, 1988, and changes the method used to recognize income and expense items. FAS No. 91 does not change the total income and expenses ultimately to be recognized from each transaction. The Company is continuing to increase its efforts in contacting new equipment vendors to further increase the level of new business. The Company has also increased follow-up contacts to new prospective equipment vendors through in-house telemarketing, and solicitation of equipment manufacturers and believes that increased personal contact is one of the principal reasons for an increasing number of new vendors providing equipment for lease during the nine months ended January 31, 1992.

The limited use of the operating lease equipment program resulted in $1,000 of equipment being purchased for operating leases for the nine months ended January 31, 1992, and $3,680 for the nine months ended January 31, 1991. Operating lease rental income increased by $5,164 in the nine months ended January 31, 1992 as compared to the nine months ended January 31, 1991, primarily due to the renewals of operating leases, with fewer lease terminations occurring in the current fiscal year.

Interest Expense

For the nine months ended January 31, 1992, interest expense increased $328,544 or 16.0% as compared to the nine months ended January 31, 1991. Total interest expense (disregarding interest income) averaged 10.7% on average total borrowings (including accrued interest) of $30,003,568 for the nine months ended January 31, 1992 as compared to 11.1% on average total borrowings (including accrued interest) of $25,685,920 for the nine months ended January 31, 1991.

Other Expenses

Lease origination expenses decreased 2.5% or $18,152 for the nine months ended January 31, 1992, compared to the corresponding period ended a year earlier. Lease origination expenses, including capitalized commissions paid, were 7.9% of new financing lease receivables during the nine months ended January 31, 1992 as compared to 12.7% for the nine months ended January 31, 1991. The decreased percentage in the period ended January 31, 1992 is attributable to an increased volume of new leases added during the period, and to termination of non-producing telemarketing representatives. During the nine months ended January 31, 1992 and 1991, commissions of $68,851 and $107,126, respectively, were paid and included as lease origination expenses during the period. The Company is accepting, on a limited basis, new lease applications from outside lease brokers, and is emphasing direct contacts with new equipment vendors through telemarketing and trade association advertising. The Company believes that increasing new leases generated from repeat vendors that are being attracted through its marketing efforts will further decrease the overall percentage of total lease origination costs in comparison to new lease volume, as the natuare of these costs in general are fixed.

General and administrative expenses increased by $110,078 or 8.8% for the nine months ended January 31, 1992, compared to the corresponding period in 1991, due primarily to increased fees paid to the transfer agent, Financial Data, Inc., an affiliate, increases in expenses associated with the sale of debt securities, increased personnel in the collection and bookeeping departments, and routine salary increases to employees.

An allowance for doubtful direct finance lease receivables is maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of these receivables. The allowance is increased by the provisions charged to operating expense and reduced by chargeoffs. See Footnote 2 to the Interim Consolidated Financial Statements for a more detailed discussion of the accounting for the provision for doubtful accounts.

Comparision of Three Months Ended January 31, 1992 and 1991

Revenues

Total operating revenues for the three months ended January 31, 1992 increased 27.5% or $206,666 as compared to the three months ended January 31, 1991. Aggregate new lease receivables entered increased to $3,525,360 for the three months ended January 31, 1992 compared to $2,110,963 for the three months ended January 31, 1991. The Company attributes the increase in new leases entered during the current fiscal year to its telemarketing efforts in attracting both new equipment vendors, increased new business from existing vendors, new vendors generated through its advertising efforts in trade association publications and the utilization of the Company's advertising facilities in providing equipment manufacturers assistance in promoting the Company's leasing services throughout their dealer distribution network. Deferred income from outstanding direct finance leases increased by $322,843 during the three months ended January 31, 1992, after having increased by $35,126 during the three months ended January 31, 1991.

Interest Expense

For the three months ended January 31, 1992, interest expense increased $117,116 or 16.6% as compared to the three months ended January 31, 1991. Total interest expense (disregardng interest income of $5,847 and $21,692 during the three month periods ended January 31, 1992 and 1991, respectively,) averaged 10.6% on average total borrowings (including accrued interest) of $31,233,489 for the three months ended January 31, 1992 as compared to 11.0% on average total borrowings (including accrued interest) of $26,532,066 for the three months ended January 31, 1991.

Other Expenses

Lease origination expense increased 4.4% or $10,761 for the three months ended January 31, 1992, compared to the corresponding period ended a year earlier. Lease origination expenses, including capitalized commissions paid outside leasing brokers, were 7.8% of new financing lease receivables during the three months ended January 31, 1992 as compared to 12.5% for the three months ended January 31, 1991. This reduction resulted from increased new lease volume generated with minimal incremental costs. In addition, $22,425 and $21,278 in commissions paid outside lease brokers and vendors during the three months ended January 31, 1992 and 1991, respectively, were capitalized and not charged to expense.

General and administrative expenses increased by $28,574 or 6.4% for the three months ended January 31, 1992, compared to the corresponding period in 1991, due primarily to increased collection and bookeeping personnel, additional costs paid to the law office associated with the collection of delinquent leases and increased costs associated with the registration, solicitation and transfer agency fees associated with the debt securities offered by the Company.

An allowance for doubtful direct finance lease receivables is maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of these receivables. The allowance is increased by the provisions charged to operating expense and reduced by chargeoffs. See Footnote 2 to the Interim Consolidated Financial Statements for a more detailed discussion of the accounting for the provision for accounts.

Capital Resources and Liquidity

The Company has financed its growth to date primarily from proceeds of debt securities offered to the public. The Company has not experienced any difficulty in financing the purchase of equipment that it leases at current levels.

Taking into consideration new business, the Company's cash and unhypothecated leases on hand, anticipated renewal of a portion of the Company's borrowings, anticipated sales of senior debt and other resources, it is management's opinion that its cash will be sufficient to conduct its business and meet its anticipated obligations during the current fiscal year. The Company attributes the increased redemptions during the nine month period ended January 31, 1992 to investor concerns over Persian Gulf crisis. No assurance can be given that the redemption of senior and subordinated borrowings will not exceed the Company's expectation or that a substantial portion of its offering of Senior Thrift Certificates or the offering by Equipment Leasing Corporation of America of its Demand and Fixed Rate Certificates will be sold. In view of the Company's history of losses, the uncertainty with respect to future interest rates to holders of its unsecured borrowings, the potential redemption of senior and subordinated borrowings and the uncertainty as to the sale of its offering of Senior Thrift Certificates, and of the sale of the Demand and Fixed Rate Certificates, management is unable to estimate the Company's future profitability and liquidity beyond the current fiscal year. If the Company continues to have losses, it may have difficulty in servicing its debt in future years. Management attributes its losses during the current fiscal year to the size of its lease portfolio relative to its fixed costs, including interest on outstanding debt. Management is currently exploring various means of increasing its new leases entered and the outstanding portfolio. See "Consolidated Statements of Cash Flows" on page 5 of this report for an analysis of the sources and uses of cash by the Company during the nine month periods ended January 31, 1992 and 1991, respectively.

For a complete discussion of liquidity and capital resources for the fiscal year ending April 30, 1992, reference is made to the "Capital Resources and Liquidity" section of Form 10-K filed on June 28, 1991 (as amended by Form 8 amending Form 10-K filed on August 21, 1991) for the fiscal year ended April 30, 1991.

PART II

OTHER INFORMATION

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K

A report on Form 8-K (Item 5) was filed on January 17, 1992 contained a press release regarding the Company's informal arrangement with an equipment manufacturers to combine its marketing abilities to market the Company's lease programs to their dealer distribution network, utilizing the Company's advertising facilities.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WALNUT EQUIPMENT LEASING CO., INC.

William Shapiro, President and
Chief Financial Officer

March 13, 1992
Date